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EXPORT MARKET GUIDE

UNITED STATES NATIONAL EXHIBITION

BEIJING, CHINA

NOVEMBER 17-28, 1980

U.S. Department of Commerce
Industry and Trade Administration

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UNITED STATES NATIONAL EXHIBITION
U.S. DEPARTMENT OF COMMERCE
Beijing, People's Republic of China
November 17-28, 1980

Introduction

Your company is invited to participate in the 1980 U.S. Department of Commerce Exhibition in Beijing, the People's Republic of China. This historic event, the first of its kind in 30 years, symbolizes a new era of Sino-American economic and commercial relations. It is designed to present the best and the most advanced equipment and technology the United States can offer in the areas of China's greatest needs. Since the categories of equipment included in the exhibition have been selected in consultation with the Chinese and on the basis of China's planned priorities, participation in this event will be the most effective way to introduce your company and products to the Chinese officials as well as researchers, planners, and end-users. The exhibit also will help you initiate and maintain business contacts in the People's Republic of China (PRC). To reserve exhibition space, please write to or call:

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Background

On January 1, 1979, almost 7 years after the issuance of the Shanghai Communique of February 28, 1972, at the conclusion of President Nixon's trip to China, the United States of America and the People's Republic of China normalized diplomatic relations with each other. This action signified a dramatic shift in Sino-American affairs, ending the near absence of political and commercial relations between the two countries since 1949. A series of subsequent events quickened the pace of the normalization of economic and commercial relations. These include:

- --Secretary of Treasury W. Michael Blumenthal visited China in February 1979 to negotiate the U.S. private claims--Chinese blocked assets settlement. A Claims/Assets Agreement was signed between the two countries on May 11, 1979. The claims refer to the property of U.S. nationals expropriated by China in December 1950.

The assets refer to the bank deposits and other Chinese property blocked by the U.S. Government on or after December 17, 1950. The resolution of this issue marked a milestone in the normalization process of U.S.-PRC commercial relations.

--Secretary of Commerce Juanita M. Kreps visited China in May 1979 to negotiate a trade agreement subsequently signed by representatives of the two governments on July 7, 1979. This agreement provides a general framework for expanded trade and commercial relations between the two countries, including reciprocal nondiscriminatory (Most-Favored-Nation) treatment for each other's products as regards tariffs, customs, and other trade conditions. Included in the trade agreement are provisions facilitating business activities, such as the establishment of business offices, the stationing of business representatives, and improved working conditions for them. This agreement also covers visits by economic, trade, and industrial groups. Other provisions of the agreement include patent, trademark, and copyright protection, settlement of commercial disputes, and safeguards against market disruption. The agreement has yet to be approved by both Houses of the U.S. Congress before it can come into effect.

--Secretary Kreps signed in Beijing on May 10, 1979 an agreement on commercial exhibitions, which launched trade promotional efforts by both countries. The two countries agreed to encourage and facilitate the staging of and participation in trade exhibitions by their firms and trading organizations. Initial exchanges provided by the agreement are: a major U.S. exhibition in Beijing in 1980 and Chinese exhibitions in New York, Chicago, and San Francisco from September to November 1980.

--Vice President Mondale visited China in August 1979 to sign agreements to provide American expertise in building hydroelectric plants. While there he indicated the possibility of U.S. Export-Import Bank (Eximbank) credit arrangement for China of up to $2 billion over 5 years.

Chinese Economic Development Plans and Priorities

The Four Modernizations Policy (agriculture, industry, science and technology, and national defense), first enunciated by Premier Zhou Enlai at the Fourth National People's Congress (NPC) in January 1975, was approved by the Eleventh Congress of the Chinese Communist Party (CCP) in August 1977 and by the first session of the Fifth NPC in March 1978. This ambitious program has as its goal to propel China, by the year 2000, into the front ranks of industrialized nations. At the Fifth NPC, Premier Hua Guofeng announced a Ten-Year Economic Plan (1976-85)) designed to implement the Four Modernizations Policy.

By 1979, however, it had become evident that the goals of the Ten-Year Plan were overly ambitious and that a 3-year period (1979-81) was necessary to "readjust" the economy. The unrealistically high output targets, overextension of capital construction projects, and the lack of coordination among industries created critical bottlenecks and serious underutilization of industrial capacity. Imbalances between investment and consumption, agriculture and industry, and light and heavy industry which had long plagued the Chinese economy became more serious. To correct or, at least, to minimize these imbalances, a reassessment of investment priorities was made.

On June 18, 1979, Premier Hua Guofeng announced a 10-point readjustment of China's plan for the national economy which retains the 120 key projects for modernization, as presented in the original Ten-Year Plan, but alters the scale and speed of construction of some of these projects. Agriculture and light industry gained at the expense of some sectors of heavy industry in the revised plan; the coal, electric power, petroleum, transport, and building materials industries still receive high priority.

Implications for Sino-U.S. Trade

The new economic policy continues to emphasize imports of advanced technology and capital goods. However, purchases will be more selective. The highest priority will be given to projects which require less foreign exchange, offer a quicker return on investment, and generate potentially greater export earnings. High priority will also be given to the lagging sectors that have slowed China's economic growth, including coal, nonferrous metals, oil, electric power, and building materials; and transportation and communications.

China's 1979 National Economic Plan projects foreign trade growth of 24 percent, with imports increasing by 32.4 percent and exports 14.7 percent. Planned imports include some $1.4 billion worth of raw materials used for the production of textile and other light industrial goods and about $3 billion worth of technology and complete plants. U.S. exports to China are expected to grow by 35 to 70 percent in 1979, to a total of $1.1-$1.4 billion, up from $824 million in 1978. Agricultural exports are expected to rise 20 to 50 percent and reach the value of $700-$900 million. Nonagricultural exports are expected to rise to 65 to 100 percent to a total of $400-$500 million. U.S. imports from China in 1979 should exceed $400 million.

Paying for the imports required to carry out the Ten-Year Plan necessitates a substantial increase in hard currency earnings. A major drive is under way in China to expand the production of export goods and to improve their competitiveness in Western markets. China is also trying to increase hard currency earnings through increases in invisibles, including overseas Chinese remittances, tourism, and business earnings in Hong Kong.

China has become more flexible in its trading practices. It has imported foreign raw materials and component parts for processing or assembly and subsequent reexport. More recently, it has made compensation trade arrangements with a number of West European, Japanese, and American companies. A new flexibility also characterizes China's attitude toward credit. As of July 1979, China had reached major credit agreements with foreign government credit agencies and private banks totaling some $23 billion. All of these facts point to high Sino-U.S. trade levels and to a continually improving commercial relationship.

Trade-related matters still under discussion between the United States and the PRC include a maritime agreement which would ease port access for vessels of each nation to the other's ports, and an aviation agreement opening direct air links between the two countries. Also outstanding is the extension of Eximbank credit to support trade with China, which can only follow settlement of outstanding Eximbank claims against China and a Presidential determination of national interest and waiver of the Jackson-Vanik Amendment to the Trade Act of 1974.

The U.S. Department of Commerce Exhibition

This U.S. National Exhibition will be the largest event of its type undertaken by the U.S. Department of Commerce. The exhibition will cover 21,500 square meters in the Beijing exhibition hall and will include 200 companies exhibiting products in five industrial theme areas. The following sections present brief summaries of the industry sectors concerned.

AGRICULTURAL MACHINERY AND EQUIPMENT

Agriculture is the most important sector of the Chinese economy, employing about 80 percent of its labor force and contributing about one-third to its national economic output. As originally planned, basic nationwide mechanization of agriculture was to be attained by 1980. However, this ambitious plan was modified in February 1979, so that it now calls for building pilot mechanized production areas "within a few years" on collective and state farms in several selected regions.

China has more than 1,900 agricultural machinery plants, manufacturing over 1,300 different products. Conventional and garden (hand-guided) tractors, combines, harvesters, and powered irrigation equipment are among the most important. Almost 30 different tractor models have been identified in China. At least six of these are small two-wheel garden tractors ranging from 2 to 12 hp. They are particularly suitable for cultivation in China where many fields are relatively small. They can be fitted with plows, harrows, and cultivators and serve as stationary power take-off units for other operating farm machinery or irrigation pumps.

China makes at least seven models of tracklaying tractors of up to 120 hp, and there are reports of one locally produced model of 250 hp. The largest tractor plant, producing 10 models, is the Dong Fang Hong Plant in Loyang, Henan Province. Other major tractor manufacturing plants are located in Tianjin, Yenchou in Shandong Province; Changzhou and Wuxi in Jiangsu Province; Anshan in Liaoning Province; and Hangzhou in Zhejiang Province.

In 1978, China reportedly produced 557,000 large- and medium-sized tractors (90,000 more than in 1977), 1.37 million hand tractors (280,000 more than in 1977), and power-driven drainage and irrigation machines for rural use with a total of 65.58 million hp (an increase of 5.53 million hp above the 1977 level). Some of the farm machinery produced, however, was of poor quality. Because maintenance is a perennial problem, only about 70 percent of the available tractors were found to be in working condition.

Since 1970, China has been importing, on the average, almost $20 million worth of farm machinery and implements annually. Japan has been the largest supplier, followed by the U.S.S.R., Romania, France, and the German Democratic Republic (GDR). The U.S. share of this market among the Industrialized Western countries varied between 0.2 and 2.2 percent, with annual sales volume ranging from $2,000 to $97,000 in the 1971-76 period.

In 1977, U.S. exports of farm machinery and implements to China totaled $378,000, consisting of $296,500 in tracklaying tractors of 200 hp and over, $77,000 in tracklaying tractors and 60-90 hp, and $4,600 in parts and attachments. In 1978, U.S. exports of farm machinery and implements to the PRC reached $3,111,900, including miscellaneous testing and measuring equipment.

Commenting on China's agricultural modernization in August 1979, Vice Minister He Kang of the Ministry of Agriculture stated that China imported 63 items of the most sophisticated farm machinery (worth about $1 million) from the United States in 1978 for use on the Friendship Farm in Heilongjiang Province. This resulted in a 100 percent increase in agricultural labor productivity. He foresaw a considerable increase in imports of advanced technology and equipment.

According to Mr. He, China is willing to consider compensation trade in farm machinery. This can be done by building modern agricultural facilities and processing plants in crop production centers and paying for imported machinery and equipment with processed goods. In localities close to foreign trade ports and in suburban areas, he proposed to establish modern hog breeding and poultry raising faiclities and feed processing plants and to use live hogs and poultry, pork, frozen chicken, and eggs to pay for imported equipment and feeds.

Farm machinery and equipment featured in the U.S. Exhibition will include:

--Tilling equipment, including tractors, plows, harrows, tillers, subsoilers, field cultivators

--Planting equipment, including row crop planters, grain drills, broadcast seeders, and listers

--Spraying equipment

--Harvesting equipment, including combines, hay and forage harvesting machines, mowers, hay conditioners, balers, and stack wagons

--Barnyard equipment, including equipment for dairy, poultry, and swine farming

--Grain storage and handling equipment.

TEXTILE MACHINERY AND EQUIPMENT FOR THE PRODUCTION OF CONSUMER GOODS

The light and textile industries as a group received heavy emphasis in the recent readjustment of Chinese economic development priorities. Speaking to the Fifth NPC on June 18, Premier Hua proclaimed these major targets for achieving a balanced economic development in the years 1979-81:

--to make light and textile industries grow in pace with or slightly faster than heavy industry;

--to increase the output of the major light and textile industries products as domestic purchasing power rises;

--to increase exports of these products considerably.

On June 21, 1979, Vice Premier and Minister in Charge of the State Planning Commission Yu Qiuli announced the following 1979 production targets for the light and textile industries:

--chemical fibers to go up 5.5 percent

--synthetic detergents, 8 percent

--bicycles, 10.8 percent

--sewing machines, 8.6 percent

--wrist watches, 12.7 percent

--television sets, more than 100 percent

--cameras, 23 percent.

Key projects in the Plan for the light and textile industries are:

--12 sugar refineries, each capable of handling 500 tons of sugarcane a day;

--11 sugar mills, each capable of handling 500 tons of sugarbeets a day;

--7 paper mills, each producing up to 50 tons a day;
--3 cotton mills, each with 100,000 spindles and 3,000 looms;

--the Tianjin Petrochemical Fiber Plant;

--the Changshou Vinylon Mill in Sichuan Province; and

--vinylon mills in Gansu and Yunnan Provinces.

One important provision in the plan is to increase the import of raw materials and semifinished products necessary for these industries. The 1979 foreign currency allocation for this purpose is to increase by 320 million yuan, or 17 percent as compared with 1978.

To speed up the growth of the light and textile industries, a major source of both national income and foreign currency earnings, China needs to make major efforts to improve the quality and increase the variety of the products of these industries. These efforts will raise the demand for machinery, equipment, and technology for all the major components of these industries.

On March 29, 1979, an editorial in the CCP newspaper People's Daily underscored the importance of the textile industry in the PRC economy and foreign trade, and stated that this large, profitable industry should be accorded high priority. It pointed out that textiles account for one-fifth of domestic retail commerce; that taxes and profits of the textile system provide one-tenth of government revenues; and that foreign exchange earnings from textile exports have amounted to more than one-fifth of total export earnings in recent years. The editorial called on the industry to improve its performance in such areas as styling, marketing, innovation, exporting, and technical modernization.

China was the second largest exporter of cotton goods and the sixth major exporter of man-made textile products to the United States in 1979. However, the Chinese Government claims that only 1.3 percent of total U.S. textile imports now come from China and that China bought $300 million worth of U.S. cotton in 1978 but only shipped back $100 million in finished products.

In the revised Plan, deliveries of raw materials for Chinese heavy industry and for some branches of light industry such as woolen and silk products, embroidery, paper, and consumer durables, such as bicycles, sewing machines, watches, clocks, and radios are to be increased. The primary aim is to satisfy domestic demand.

Inquiries from China to the U.S. Department of Commerce, received in recent months, include those for tanning technology for the shoe industry; textile machinery used for printing, dyeing, and finishing fabrics and the expertise for operating them; canmaking machinery and technology; and technical and consultation assistance to the tea industry. In the past few months, China has also contracted for purchase of a pneumatic spinning plant using open-end spinners, with annual capacity of 30,000 bales, and for producing chairs to be shipped to the United States for final assembly, finish, and upholstering. Some joint ventures have been set up, including one under which industrial sewing machines are provided by the foreign partner in exchange for finished products made to order in China, and another for the production of tape-recorders. Compensation trade opportunities exist in the production of small transistor radios, light machine tools, hand tools, and sporting goods.

The U.S. share of China's imports of machinery and equipment for the light and textile industries from Industrialized Western countries has been small. Japan dominates the market for textile and sewing machines; the Federal Republic of Germany (FRG), skin and leather working machinery; Sweden, paper and pulp machinery; and FRG, the Netherlands, and Italy dominate the market for food processing machinery. American manufacturers of equipment for the light and textile industries that can make compensation trade arrangements with China will have a decided advantage in concluding business deals.

Categories of light and textile industry machinery to be featured in this Exhibition will include:

--textile machinery, including industrial sewing machines

--sporting goods production equipment

--hardware, including hand tools, production equipment

--bicycle production equipment

--calendar watch production equipment

--thermos bottle production equipment

--transistor radio production equipment

--office equipment production equipment

--leather goods production equipment

--toy production equipment

--paper

--detergent production equipment

--synthetic leather production equipment

POWER GENERATION AND DISTRIBUTION EQUIPMENT

China is rich in energy resources. Its water resources, coal deposits, and petroleum reserves rank among the largest in the world. However, these energy resources have not been sufficiently exploited and harnessed, and there is an electric power shortage which the Chinese see continuing for a fairly long period. Effective measures need to be taken to conserve energy and to increase energy output. In his report to the NPC in June 1979, Premier Hua stressed the importance of strengthening the weak links in the national economy,including electric power generation. Shortage of electric power, in fact, has caused as much as 20 percent of China's industrial capacity to be idle, creating the most serious bottleneck in industrial development in recent years. In recent months, domestic use of electricity in some major Chinese cities has been sharply reduced to make electricity available for industrial use.

Under China's revised economic development plan, the power industry will receive a high priority. A separate Ministry of Electric Power Industry was established to underscore the importance the Government attaches to electric energy production.

In 1978, electric power production was 256.6 billion kilowatt hours (kWh), and the 1979 Plan calls for the generation of 275 billion kWh. China's installed electricity supply capacity is estimated at more than 50,000 megawatts (MW), 75 percent of which comes from thermal and 25 percent from hydro sources. This ratio will gradually shift in favor of hydroelectric power as China begins to utilize its hydro resources for electric power production more fully.

Construction of thermal power stations in China is also being undertaken on a large scale. They are concentrated in the north and east while hydroelectric plants are mostly in the south and the west. Coal will be the primary fuel for thermal station use; oil will be allocated to other uses and for export.

Of the 20 large hydroelectric projects to be completed in the next 10 years, some are already under construction and others will be started within the next 2 years.

The largest hydroelectric projects in China are those for dam construction and power generation on the Changjiang, Huanghe and Zhujiang Rivers for which China is seeking foreign equipment and technical assistance. Four dams and hydroelectric power stations under construction or planned for Long Yang, Lungmen and Xialongdi on Huanghe River; Samxia (Three Gorges), Gezhouba, and Xiangjiaba on the Changjiang River; and at Longtai and Dahua on the Zhujiang River would add as much as 35,000 MW of additional electric power capacity. The Gezhouba Project at

Yichang, Hubei Province, is the largest construction project in China and will increase electric power capacity by 2,700 to 3,000 MW when completed; its first unit is due on line in 1982.

As 70 percent of China's potential hydroelectric sources are concentrated in the southwest but electricity load centers are mostly in eastern and central China, a high voltage transmission system must be constructed. The coal-fired thermal electric plants located in the north close to the coalfields between Huanghe River and the North China Sea will also need new, higher voltage transmission systems. China needs the equipment and know-how to construct a national electric power transmission system and to regulate the peak load.

To achieve an 8 to 10 percent average annual growth of electric power capacity through 1985, China would have to substantially increase the output of its plants for electric power equipment, particularly by putting into serial production turbine and generating units of the 200 MW-300 MW range in steam turbines and at least 300 MW in hydroelectric sets. These are the largest units produced, but not all are in serial production. Since the PRC is presently unable to satisfy its needs in this field from its own output, it will have to depend on imports valued at about $200 million a year.

An analysis of Chinese orders for electrical power-generating equipment for the past decade shows that progressively larger turbines and generating units have been purchased (although 320 MW remains the single largest unit procured) involving at least 12 different manufacturers from 10 different countries. This suggests not only a desire on China's part to obtain additional generating capacity quickly but also to obtain the most advanced turbo-generator technologies and to incorporate innovations from imported equipment into China's own production of power generating equipment. China may also be interested in choosing partners to build complete power-generating equipment manufacturing facilities on a turnkey basis.

At the conclusion of his August 1979 visit to China, Vice President Mondale and Chinese officials signed a protocol which would permit U.S. agencies to provide design, engineering, and construction assistance in the building of hydroelectric plants and transmission lines in China.

Japan has been a leading supplier of electric power machinery to China in the 1970's. France, Czechoslovakia, FRG, and the United Kingdom have also been actively competing for this market in recent years. U.S. sales of electric power generation, transmission, and distribution machinery and equipment amounted to $9.4 million during 1967-75. In 1976, China imported $189 million worth of power generating equipment. The Soviet Union was the leading supplier, with $58 million worth of steam turbines, followed by France, the United States, Italy, and Japan with $46 million, $24 million, $23 million and $22 million, respectively. U.S. sales of electric power generating, transmission, and distribution machinery and equipment to China totaled $904,200 in 1977. The largest sales were of diesel engine AC generator sets 250-1,000 kW ($254,200) and panel distribution boards not over 750 V ($171,000).

Electric power machinery and equipment featured in this Exhibition will include:

--fossil-fueled thermal power plants and related gear

--hydroelectric systems and related gear

--EHV transmission systems, all aspects

--gas turbine systems for industrial drive and power generation

--solar and geothermal systems for power generation.

TRANSPORT EQUIPMENT

More than half of freight (60 percent) within China is carried by railroads, with trucks carrying most of the rest (about 28 percent). Coastal and inland shipping deliver freight to localities not readily accessible by railroad or highway. Passenger transportation is mostly by bus or train. Local personal transportation is mostly by bicycles. Beijing's subway system has been operative since 1969.

Planning officials in China perceive the upgrading of their transportation system--inadequate for the vast territory and large population and for domestic and international trade--as essential to the success of their modernization program. When implementation of the Ten-Year Plan for 1976-85 was inaugurated, modernization goals for the transportation sector were set as follows:

--Construction or completion of six new trunk railways and five key harbors;

--Electrification and "dieselization" of railways;

--Major expansion of highway, inland water, and air links as well as ocean shipping.

The readjustment of China's economy announced in June 1979 emphasized the building of a sound foundation for future growth. Improvement of transportation is considered as one of the cornerstones in these efforts. Premier Hua, reporting to the fifth NPC, specifically called on China's machine-building industry to produce more of the urgently needed motor vehicles and ships of high quality.

Railways

China's railway network, the backbone of its transportation sector, is about twice that existing in 1949, and at an estimated length of 47,500 kilometers, is the fifth largest in the world. By 1980, it is expected to increase to about 58,000 kilometers. Double tracking is used in the heavily traveled industrial areas in the northeast and eastern parts of the country. Electrification has been completed, most notably on railways serving the mountainous northwest.

China is a major manufacturer of locomotives and freight cars. The Dalian Locomotive and Rolling Stock Works in Liaoning Province is the most important locomotive plant in the country. It produces the 4,000 hp "Dong Feng 4" model and claims to use numerically controlled machine tools and computer controls in manufacturing diesel engines. The second largest locomotive plant is the Sifang Locomotive and Rolling Stock Works in Qingdao, Shandong Province, where the 5,000 hp diesel hydraulic locomotive "Dong Fang Hong" is produced. The largest (6,000 hp) diesel locomotives are manufactured at the "February 7" Locomotive and Rolling Stock Plant in Beijing.

In 1978, China produced 521 locomotives and 16,950 freight cars, as compared with 293 locomotives and 6,396 freight cars in 1977. More than 50,000 kilometers of new railway lines were reportedly open to traffic, an increase of some 900 kilometers over 1977. Freight carried by railways in 1978 was 533,300 million ton*/kilometers, 17 percent higher than 1977. Construction was completed on the new Qinhai-Xizang railroad from Golmud to Xining, and work was continuing on the 476-km line from Turfan to Korla in the Xinjiang Uygur Autonomous Region. As of June 1979, the 894-km line from Xiangfan in Hubei Province to Chongqing in Sichuan Province, the 885-km Zhicheng-Liuzhou line between Hubei Province and the Guangxi Zhuang Autonomous Region, the 870-km line from Beijing to Tongliao in Jilin Province, and the 400-km line from Taiyuan in Shanxi Province to Jiaozuo in Henan Province were completed.

In June 1979, four electrified railways totaling 1,137 kilometers were under construction. These will connect Shijiazhuang in Hebei Province with Taiyuan in Shanxi Province; Beijing with Datong in Shanxi Province; Baoji in Shaanxi Province with Tianshui in Gansu Province; and Xiangfan in Hubei Province with Ankang in Shaanxi Province.

Long-range projects for China's railway system include:

--widespread use of diesel and electric locomotives, lightweight passenger cars, larger capacity freight cars, and the most modern high-speed trains

--extensive adoption of heavy-duty rails, automatically controlled crossings, and bridges with increased load capacities

--introduction of automation in communications

--mechanization of cargo handling, track maintenance, construction, and locomotive repair.

To accomplish these tasks, the Chinese must look abroad for equipment and technical know-how. France has been the largest supplier of locomotives to China in recent years and, as of 1977, delivered 115 units of electric and diesel-electric locomotives, including 7,300 hp and 6,000 hp electric units which are at present the most powerful in China. Japan is an important and steady supplier of small electric and diesel locmootives. Other suppliers include FRG, Romania, and the GDR.

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* All weights in mean metric tons.

Since China has a steel shortage, and domestic production of locomotives and freight cars probably won't be able to handle the increased tonnage its railways are expected to carry in the near future, imports are expected to increase. So far, the U.S. share of this market has been insignificant. However, with the increased Chinese interest in American technology in this field, this share can be increased considerably.

Foreign technical assistance projects for China's railway modernization, negotiated or under negotiation, include electrification of the Beijing-Tianjin Railway and the Beijing-Chengzhou line, both to be equipped with automatic control systems; and electrification of the Guangzhou-Kowloon Railway.

Highways

Although China's highway network is growing in importance, it is still essentially a feeder system to and from the railroad lines. In the northwest, construction of highways--the major means of transportation there--over the rugged terrain is costly and requires the most modern and powerful equipment.

China has almost 30 motor vehicle plants with some serial production of trucks or other vehicles, but only four of these are believed to be able to produce more than 10,000 units per year. The largest is the Changchun No. 1 Motor Vehicle Plant in Jilin Province, which is reported to have an annual capacity of 70,000 vehicles (4-4.5 ton trucks) and accounts for 50 percent of all domestic truck production. For 1978, China reports production of 149,100 motor vehicles, an increase of 18.9 percent over 1977 (125,400 motor vehicles); 35,000 kilometers more highway opened to traffic compared with 1977; and cargo moved on highways 27,400 million ton per km, a 9.2 percent increase over 1977.

Since 1970, China has been importing more than $100 million worth of motor vehicles per year. Japan has been the major truck supplier, followed by France and Romania. In 1977, the United States shipped $28.8 million worth of special purpose vehicles (for petroleum use), and $5.9 million worth of trucks to the PRC. China wishes to increase its domestic motor vehicle production significantly and to reduce imports. The prospects for these increases look good because trucks require relatively less steel and less sophisticated technology. Still, motor vehicle imports are estimated to be about $200 million per year by 1985, as there will be continuous need for heavy trucks for mining, industrial construction, and off-highway use.

There are good export opportunities for U.S. manufacturers in sales of trucks, vehicle assembly lines, and technical and training assistance.

Shipping

China's merchant fleet grew at an average rate of 21 percent a year during 1970-75 and is expected to reach as much as 17 million deadweight tons of oceangoing capacity by 1985. About 65 percent of the fleet consists of freighters, 16 percent of tankers, and 12 percent of bulk carriers. The average age of ships is 20 years. China's merchant fleet now handles 70 percent of the country's foreign trade, the highest percentage for any merchant fleet in the world. To meet its expanding shipping needs, China has been chartering foreign-owned ships, registered under flags of Greece, Liberia, and Cyprus, among others.

The shipyards in Dalian and Shanghai are reported to be involved also in submarine construction. Shipbuilding in China has increased rapidly in quantity and advanced in technology. However, of China's approximately 110 shipyards, only four are capable of constructing ships of the 25,000 ton category. Further increase in shipbuilding depends on construction of larger slipways, deepening of harbors, and providing larger berthing facilities. The largest shipbuilding complex in China is operated by the Shanghai Shipbuilding Company. The Guangzhou Shipbuilding Company operates several large shipyards and a marine diesel engine plant. For 1978 China reports "steel ships" production of 865,900 tons, an increase of 36.5 percent over 1977. More rapid growth of the Chinese shipbuilding industry is hampered by the limited capacity of the shipyards and inadequate supplies of steel.

The estimated Chinese ship import level is about $300-$400 million per year up to 1985. China buys many secondhand ships at bargain market prices, but it has also placed orders for new, large modern vessels. Japan is the leading supplier of ships to China, followed by Norway and the Netherlands. The U.S. share of this market is so far insignificant. However, port modernization and expansion of containerization will create many opportunities for U.S. exports of ships as well as sales of port equipment and technology. The expected growing exports of Chinese oil will also mean a large market for oil tankers in the 100,000-ton class in the future.

Civil Aircraft

China's civil aircraft fleet consists of more than 600 aircraft, including Chinese-made AN-2's, Russian-made Ilyushin II's, and U.S.-made 707's. The 707's bought in 1973-74 constitute the mainstay of China's international fleet.

The largest and best known of the Chinese aircraft factories is the Shenyang State Aircraft Factory in Liaoning Province. It produces several Soviet type aircraft under license, both for domestic passenger and agricultural use and for export to developing countries. Other large aircraft manufacturing centers are Xian in Shaanxi Province and Harbin in Heilongjiang Province. No aircraft production figures are available. Only three airports in China--Beijing, Shanghai, and Guangzhou--have runways suitable for handling the largest jet aircraft.

China is now embarked on a vigorous airport and aircraft manufacturing modernization program. Presently, sales opportunities exist for wide-bodied jet transports.

The United Kingdom, the United States, and the Soviet Union have dominated exports of aircraft to China in the 1970's. Major U.S. aircraft sales to China include a contract worth $125 million for 10 Boeing 707 jet transports, sold in 1973-74, another worth $21 million for 40 JT3D turbo-fan jet engines sold in 1972, a contract worth $1 million for eight inertia navigation systems sold in 1973, and $304,800 worth of aircraft landing gear and parts sold in 1977. In June 1979, there were reports that China had purchased three Boeing 747-SP jumbo jets worth $156 million and nine commercial helicopters for $12 million. China also reportedly intends to buy two more 747-SP's, each capable of carrying 305 passengers and flying a 7,000-mile range.

Transportation equipment and systems featured in this Exhibition include:

Railroads

--Locomotives, electric and diesel-electric

--Rolling stock, including specialized freight cars and those for containerized freight

--Hydraulic rail-laying machines, equipped with laser rail alignment device

--Technology associated with long-haul, unit freight trains

--Systems for automation of railway management

Motor Vehicles

--Diesel engine plants

--Truck plants

--Trucks and buses

--Fire engines

--Motor vehicle manufacturing technology

Ships

- Bulk carriers
- Production facilities for building large carriers
- Inland waterway vessels
- Geophysical survey vessels
- Fishery research vessels

Aircraft

- Aerial survey planes
- Wide-bodied jets for international air routes
- Short-haul jets for domestic commercial traffic
- Agricultural planes
- Helicopters for oil drill servicing
- Automatic air traffic control systems

PETROLEUM EQUIPMENT

China is the fourth largest energy-producing country in the world after the United States, the Soviet Union, and Saudi Arabia. It also ranks as the fourth largest energy consumer behind the United States, the Soviet Union, and Japan. Oil, coal, and hydroelectric power are China's main sources of energy for the foreseeable future.

About 40 percent of the territory of China is believed to possess oil and natural gas potential. The proven crude oil reserves, estimated at 20 billion barrels, are being constantly revised upward as oil exploration in Western China and the offshore areas continues. The discovery of large oil deposits in 1960 has made China self-sufficient in crude oil since 1965. Oil production has been growing at an average rate of 26.2 percent a year, faster than that of the economy as a whole, in the past three decades. For 1978, China reports crude oil production of 105.05 million tons, an increase of 11.1 percent over 1977's 93.64 million tons. The 1979 target for crude oil production is 110 million tons, an increase of 5.7 percent over 1978. China is presently a net exporter of crude oil, and as of July 1979 crude oil has become its single largest export item to the United States. U.S. Department of Commerce figures show that the United States imported $42 million worth of Chinese crude oil products during the first 6 months of 1979, more than 15 percent of total U.S. imports from China for that period.

The drive to modernize China's industry and raise the standard of living makes it necessary to increase crude oil production at an accelerated rate. China's rapidly growing crude oil exports will provide increasing hard currency revenues which can be used to purchase the most advanced oil exploration and production equipment in the West and further accelerate China's oil production and export program.

China's oil comes from about 100 commercial oilfields in 14 known oil-bearing basins. Up to the early 1960's, before the giant northeastern oilfields of Daqing in Heilongjiang Province and Shengli in the North China Basin--respectively China's largest and second largest oilfield--began production, China's domestic crude came mostly from long-established oilfields in the relatively distant and isolated western areas. Yet the eastern oilfields--including Dagang, China's third largest--have been receiving most of the new investments in recent years and now produce at least two-thirds of the Chinese total. In the long run, however, the western fields (believed to hold the largest oil reserves in China), including the Yumen oilfields in Gansu Province and Kolami oilfields in the Xinjiang Uygur Autonomous Region in the far west and several oilfields in the Sichuan Basin in southwest China, will attain great importance and thus receive more capital investment and advanced exploration and extraction equipment. The offshore areas--including the Bohai area, the Yellow Sea area, and the South China Sea area--are expected to also become important oil-producing centers in the future. For the development of these offshore oil producing centers, China will need advanced seismic survey and other exploration and extraction equipment and technology.

China now operates an estimated 100 petroleum equipment manufacturing plants and supplies about 80 percent of its domestic demand. The major petroleum equipment manufacturing regions are the Lanzhou-Baoji region in the northwest, the Shanghai region, the Beijing-Tianjin region, the south-central region (including Gaunzhou and Wuhan), and the heavy industry region in the northeast. Equipment produced includes logging and measuring equipment, oilwell equipment, deep-well pumps, some offshore drilling platforms, medium-depth drilling rigs, and floating drilling rigs. The ever increasing demand for petroleum equipment cannot in the near future be met by these plants because they have to compete for short-supply high-quality steel with the mining, automotive, and shipbuilding industries. Furthermore, China still lacks the production capabilities for sophisticated offshore exploration and production equipment and technology. These factors will contribute to a demand for imports of petroleum equipment and technology that is estimated to reach $4 billion before 1985.

Major suppliers of petroleum equipment to China during 1963-77 were Japan, Romania, Singapore, and the United States. Items sold included oil rig equipment, seabed drilling rigs, seismic surveying equipment, offshore drilling rigs, and helicopters for offshore platforms.

In 1978, parts for oil and gas drilling machinery valued at $33 million constituted the leading U.S. export of manufactured goods to China. Analyses of Chinese imports of petroleum equipment indicate that China looks to the United States as the prime source of offshore equipment and technology. In June and July of 1979, China asked more than 70 U.S. firms to show serious intent in participating in offshore oil surveys in the Zhujiang (Pearl) River mouth area, South China Sea area, and the Yellow Sea area. Several agreements and contracts for geophysical surveys and offshore exploration were reportedly signed in July 1979. The importance the Chinese attach to the acquisition of advanced petroleum production equipment and technology was demonstrated by the visit to the United States of an energy delegation in May-June 1979, headed by Vice Premier Kang Shi'en who was accompanied by several officials in charge of energy, including Song Zhenming, the Minister of Petroleum Industry. This delegation met with U.S. Government officials to discuss cooperation in developing energy sources, including oil, and toured advanced oil production facilities in the United States, ranging from offshore oil platforms in the Gulf of Mexico to rigs on the North Slope of Alaska.

Offshore oil exploration and production appear to be the most promising market for Western manufacturers in the near future. Some of the items China needs include deep-well drilling rigs for drilling below 3,000 meters, steel cylinders used in pumps and compressors capable of withstanding pressures of over 2,000 atmospheres, and large diameter (over 30 inches) steel pipes for pipelines.

Compensation trade in which firms supply equipment and technical know-how and take payments in crude oil would be welcomed by the Chinese, since such an arrangement would help them conserve hard currency reserves. Companies which are willing to sign contracts for compensation trade will definitely have an edge over their competitors.

The petroleum exploration and extraction equipment featured in this Exhibition will include:

--Geophysical exploration equipment, all types

--Drilling and extraction equipment

--Down hole equipment

--Offshore drilling equipment

--Other petroleum production equipment

--Pumps

--Pipelayers

--Pipeline equipment

--Oilfield transport trucks.

MARKET DEVELOPMENT INFORMATION

Researching the Market

Prior to approaching the Chinese foreign trade corporations, many firms may want to assess the potential PRC market for their goods and services. This is a difficult process since the Chinese do not issue requests for global tenders and publish little about their plans that permit an accurate assessment of the market.

For potential exporters, it is important to understand that the Five- and Ten-Year Plans set out general goals, while the annual plan provides more specific targets, production levels, and allocates resources needed to achieve plan objectives. Emphasis is placed on the supply of material and equipment from domestic resources, and while the long-standing policy of "self-reliance" has been modified, it is by no means dead.

When the requirements cannot be met from domestic resources however, the foreign trade corporations in Beijing are commissioned to turn to foreign sources of supply. In 1978, for example, they probably spent about $10 billion on imports. Generally, the Chinese will allocate their scarce hard currency resources to the purchase of agricultural commodities and industrial products needed for modernization, allowing little for imports of consumer goods.

Various groups in the United States attempt to survey Chinese industries to assess the potential for American goods and services. Some of these may be found as sectoral reports in the China Business Review published by the National Council for U.S.-China Trade. The Commerce Department also has published studies and has an ongoing effort to develop further market information.

Foreign Trade Corporations

Foreign trade is a State monopoly controlled by the Ministry of Foreign Trade. It is conducted exclusively through a network of corporations according to priorities established by the country's economic plan. The trade corporations are organized by commodities or services for which they are responsible. They have main offices in Beijing with branch offices in various industrial centers. The following is a listing of Chinese Foreign Trade Corporations (FTC), commodities handled by each, with their street, cable and telex addresses.

China National Arts and Crafts Import and Export Corporation
28 Dong'anmen Street
Beijing, People's Republic of China
Cable: ARTCHINA BEIJING
Telex: 22165 CNART CN BEIJING

Pottery and porcelain, drawn-work and embroidered articles, ivory carvings, jade and semiprecious stone carvings, pearls and gems, jewelry, lacquer wares, cloisonne wares, Chinese paintings and calligraphy, antiques, straw, wicker, bamboo and rattan articles, furniture, artistic handicrafts, and other handicrafts for daily use.

China National Cereals, Oils and Foodstuffs Import and Export Corporation
82 Dong'anmen Street
Beijing, People's Republic of China
Cable: CEROILFOOD BEIJING
Telex: 22111 CEROF CN or 22281 CEROF CN BEIJING

Cereals, edible vegetable and animal oils and fats, vegetable and animal oils and fats for industrial use, oilseeds, seeds, oil cakes, feedstuffs, salt, edible livestock and poultry, meat and meat products, eggs and egg products, fresh fruit and fruit products, aquatic and marine products, canned goods of various kinds, sugar and sweets, wines, liquors and spirits of various kinds, dairy products, vegetables and condiments, bean flour noodles, grain products, nuts and dried vegetables (some nuts, dried fruits, and vegetables also carried by native produce).

China National Chemicals Import and Export Corporation
Erligou, Xijiao
Beijing, People's Republic of China
Cable: SINOCHEM BEIJING
Telex: 22243 CHEMI CN BEIJING

Organic and inorganic chemicals, chemical raw materials, rubber, rubber tires, and other rubber products, crude petroleum and petroleum and petrochemical products (except aromatics), chemical fertilizers, insecticides, fungicides, antibiotics and pharmaceuticals, medical instruments, apparatus and supplies, dyestuffs, pigments, and paints.

China National Light Industrial Products Import and Export Corporation
28 Dong'anmen Street
Beijing, People's Republic of China
Cable: INDUSTRY BEIJING
Telex: 22282 LIGHT CN BEIJING

General merchandise of all kinds, paper, stationery, musical instruments, typewriters, cameras, film, radios, refrigerators, sporting goods, toys, building materials (plywood, insulation board, p.v.c. fittings and pipe, tiles, glass, sanitary ware, etc.) and electrical appliances, clocks and wrist watches fishnets, net yarns, leather shoes, and leather products.

China National Machinery Import and Export Corporation
Erligou, Xijiao
Beijing, People's Republic of China
Cable: MACHIMPEX BEIJING
Telex: 22242 CMIEC BEIJING

Machine tools, presses, hammers, shears, forging machines, diesel engines, gasoline engines, steam turbines, boilers, industrial and institutional refrigeration and air conditioning equipment, mining machinery, metallurgical machinery, compressors and pumps, hoists, winches and cranes, transport equipment (aircraft, railroad automotive, ships and parts thereof), power and hand tools, agricultural machinery and implements, printing machines, knitting and other textile machines, building machinery, machinery for the chemical, rubber, plastics and other industries, ball and roller bearings, tungsten carbide, electric machinery and equipment, telecommunication equipment, electric and electronic measuring instruments, and scientific instruments (except medical instruments).

China National Metals and Minerals Import and Export Corporation
Erligou, Xijiao
Beijing, People's Republic of China
Cable: MINMETALS BEIJING
Telex: 22241 MIMET CN BEIJING

Steel plates, sheets and strip, steel sections, steel pipe and tube, railway materials, cast iron products, pig iron, ferroalloys, fluorspar, limestone, nonferrous metals, precious rare metals, ferrous ores, nonferrous ores, rare earths, non-metallic minerals, refractories, coal and coke, cement, granite, marble, bricks and other construction materials, and hardware.

China National Native Produce and Animal By-Products Import and Export Corporation
82 Dong'anmen Street
Beijing, People's Republic of China
Cable: CHINATU HSU BEIJING
Telex: 22283 TUSHU CN BEIJING

Tea, coffee, cocoa, tobacco and cigarettes, fibers (hemp, ramie, jute, sisal, flax, etc.), rosin, manioc, starches, and seeds. cotton linters and waste, timber, certain papers and forest products, waxes, spices, essential oils, aromatic chemicals, nuts, dried fruits and vegetables, patent medicines and medicinal herbs, fireworks, nursery stock as well as other native produce, including bristles and brushes, horsetails, feathers, down and down products, feathers for decorative use, rabbit hair, goat hair, wool, cashmere, camel hair, casings, hides, leathers, fur mattresses, fur products, carpets, living animals.

China National Technical Import Corporation
Erligou, Xijiao
Beijing, People's Republic of China
Cable: TECHIMPORT BEIJING
Telex: 22244 CNTIC CN BEIJING

Importation of complete plants and technology.

China National Textiles Import and Export Corporation
28 Dong'anmen Street
Beijing, People's Republic of China
Cable: CHINATEX BEIJING
Telex: 22280 CNTEX CN BEIJING

Cotton, cotton yarns, raw silk, steam filature, wool tops, rayon fibers, synthetic and man-made fibers, cotton piece goods, woolen piece goods, linen, garments and wearing apparel, knitted goods, cotton and woolen manufactured goods, ready-made silk articles, drawn works.

China National Complete Plant Export Corporation
An Ding Men Wai
Beijing, People's Republic of China
Cable: COMPLANT BEIJING

Exporters only of complete factories, works and production units, usually, but not exclusively, as part of an economic aid agreement.

China National Machinery and Equipment Export Corporation
12 Fu Xing Men Wai Street
Beijing, People's Republic of China
Cable: EQUIPEX BEIJING

Exporters only of machine tools, forging and pressing equipment, woodworking machinery, measuring and cutting tools, heavy-duty machinery, mining machinery, machinery for petroleum and chemical industries, general utility machinery, agricultural machinery, power-generating machinery, electric generating sets, automobiles, roller bearings, hoisting and transport equipment, building machinery, printing machinery, electric motors, electric devices and equipment, electric instruments and meters, physical instruments, optical instruments, complete equipment for hydroelectric power stations, refrigerating works, ice-making machinery, wood screw machinery, rubber-making and plastic-making machinery.

Establishing Contact

It takes time and patience to enter the China market successfully, whether exports or imports are involved and whether a large or small firm is participating in the transaction. Prior to establishing contact, for any but the simplest purchase transactions, you should give thought to the following questions:

(1) Am I prepared to invest considerable money initially without assurance of an early return?

(2) Am I prepared to negotiate the first transaction for up to 1 year or longer?

(3) Am I prepared to obligate the necessary senior technical talent that will be needed?

(4) Am I prepared to walk away from an unpromising negotiation at any time?

(5) Am I prepared to resist granting concessionary terms to penetrate this market?

If some of your answers to these questions are negative, you may want to rethink entering this market.

Generally, the first step in establishing commercial contact, regardless of whether exports or imports are involved, is to determine which of the above FTCs has jurisdiction over the commodities of interest to you. Then you prepare a proposal and send it to Beijing. If the Chinese are interested in your sales proposal, they may request additional information or a reworking of the proposal based on specifications they provide. In some instances, they may invite you to Beijing to discuss the matter further. If you are buying Chinese goods, you would normally hope to receive an invitation to attend the Chinese Export Commodities Fair in Guangzhou (Kwangchow or Canton). You may wish to request an invitation in the proposal. Sales of some commodities, of course, are negotiated directly by mail, without the need for direct contact. In a few cases, where the Chinese need a commodity, they may contact the American firm directly.

The form of the initial proposal is important, even though the ultimate FTC decision to purchase a commodity rests on the Plan requirements of the Chinese economy. The sales proposal should clearly define the products or product lines you wish the Chinese to focus on. Too often, especially with multidivision corporations or with conglomerates, confusion is created by sending the FTC annual reports or other brochure material describing all product lines. The proposal should be straightforward and sufficiently explicit and technically comprehensive to permit an in-depth evaluation by the Chinese of the products in question. The balance of the material in the proposal, designed to acquaint the FTC with your corporation and other products, may be included, but should be clearly distinguishable from the commodities, technology, or service you hope to sell.

In selling to China, the best approach is to propose a technical exchange or seminar. The basic idea is to select some state-of-the-art developments concerning the manufacture or application of your product, technology, or service and to offer to bring a team of highly qualified technical people to Beijing to discuss them. During 1978, more than 80 American firms and several U.S. delegations held such seminars, as did many firms from Japan and Western Europe. In your proposal, care should be given to detailing the technological and cost advantages of your commodity, and details of design, manufacture, and application should be appended. It is also useful and courteous to invite the Chinese to the United States to see your product, equipment, or technology in actual operation.

The FTC is interposed between you and the Chinese end-users, at least initially. For this reason, it is essential to provide the FTC with 20 copies of your proposal. These copies are forwarded to the appropriate planning agency, design institute, or manufacturing entity for review. Unless the FTC has already been commissioned to procure what you are selling, the chances of receiving an invitation to come to China hinge primarily on what the various end-users tell the trade corporation. If the product lines you wish to sell are in different FTCs, it would be best to prepare separate proposals. Firms should always include the words "United States" or "U.S.A." in their company's address. A firm whose name and location are quite well-known in the United States may be totally unfamiliar to the Chinese and cannot be readily identified with the United States.

In addition to the FTC which has jurisdiction over your commodity, there are other places in Beijing where it might be useful to send your proposal. One of these is the Technical Exchange Department of the China Council for the Promotion of International Trade (CCPIT); see CCPIT's address on next page. Also, the Chinese recently have established a number of corporation under respective ministries whose function is to operate plants and other facilities. These corporations probably play a key role in determining what technical seminars are to be heard and what equipment is to be bought. Some of these corporations and their parent ministries are:

China Agriculture Machinery Corporation
(First Ministry of Machine Building)

China Cereals and Oils Corporation (Ministry of Agriculture and Forestry)

China Seed Corporation (Ministry of Agriculture and Forestry)

China Chemical Construction Corporation (Ministry of Chemical Industry)

China National Chemical Fibers Corporation (Ministry of Textiles)

China Coal Industrial Technique and Equipment Corporation (Ministry of the Coal Industry)

China National Feedstuffs Corporation (Ministry of Commerce)

China National Geological Exploration Corporation (State Geology Bureau)

China National Oil and Natural Gas Exploration and Development Corporation (China Petroleum Corporation and the Ministry of Petroleum)

China Petroleum Corporation (Ministry of Petroleum)

China National Radio Equipment Corporation (Fourth Ministry of Machine Building)

China National Underwater Cable and Construction Corporation (Ministry of Posts and Telegraphs)

China Railway Technical and Equipment Corporation (Ministry of Railways)

China Waste Materials Reclamation Corporation (possibly the Ministry of Public Health)

These corporations may be addressed to the parent ministries in Beijing. It may also be useful to send several copies of the pertinent technical information to:

The Center for Introducing Literature and Samples of New Foreign Products, CCPIT
P. O. Box 1420
Beijing, People's Republic of China

This organization has been set up to keep users of foreign products and technology abreast of the most recent developments. However, the center does not engage in business negotiations. Copies of your proposals, or at least the covering letter, also should be sent to:

Commercial Office
Embassy of the People's Republic of China
2300 Connecticut Avenue, N.W.
Washington, D.C. 20008,
and
Commercial Officer
Embassy of the United States of America
17 Guanghua Lu
Beijing, People's Republic of China

Should the proposal be put in Chinese? Of course this is the courteous thing to do, and it probably will facilitate the handling of your proposal in the PRC. On the other hand, the number of adequate translation services in the United States that are familiar with the simplified characters used in China is very limited. If your proposal covers products for which the need is unclear, it may be quite wasteful to have a lengthy proposal translated although a translation is probably helpful to the Chinese. If in doubt, have the covering letter translated; this should serve to show your interest. Any proposal in Chinese should be accompanied by the English original.

In your proposal do not overstress past relationships with China. The PRC is more interested in current performance than in any past connections, either prior to 1949 or since then with Taiwan. Naturally, words such as Red China or Mainland China and other offensive terms should be avoided; refer to the People's Republic of China or simply China.

If the Chinese are interested in a proposal, they can be expected to reply, even though they may not acknowledge its receipt. However, it takes considerable time--often months--for a proposal to be disseminated and assessed. There may be no reply at all, probably indicating no requirement for such commodities at the time. Firms that are convinced that their products mesh with Chinese development priorities should keep their products and literature before the appropriate foreign trade officials. Because of mailing and distribution time lags, 8 to 12 weeks should be allowed before initiating any follow-up activities. In general, it is advisable to follow-up periodically with additional material and samples, especially with regard to any product developments that would enhance the initial approach. Any additional literature or samples should be accompanied by a covering letter that refers to the original proposal.

The FTCs alone are responsible for negotiating contracts, although this too may change. In addition to sending copies of proposals to the CCPIT and the various operating corporations under their respective ministries, it may be helpful to visit the Hong Kong agents of the FTCs. The agents can explain the current situation and usually report fully to their principals in Beijing. In some instances they are allowed to conclude trade deals.

In addition to communicating by mail with the FTCs in Beijing or by visiting their agents in Hong Kong, several other approaches may be taken. These include: attendance at the Guangzhou (Kwangchou or Canton) Trade Fair; participation in an exhibition or trade mission to the PRC; contacting PRC commercial/technical missions to the United States; utilizing the services of the U.S. and PRC Embassies, and becoming a member of, or consulting with, the National Council for U.S.-China Trade.

In general, the Chinese prefer to deal with American firms directly, but will not refuse to negotiate through agents when necessary.

For further information or advice on contacting the Chinese on commercial matters, call or write to:

U.S. Department of Commerce
Industry and Trade Administration
Office of East-West Country Affairs
PRC Affairs Division--Room 4044
Washington, D.C. 20230
(Telephone: 202-377-3583/4681).

DEPARTMENT OF COMMERCE EXHIBITION

U.S. SERVICES

*Market promotion tailored to U.S. exhibitor's objectives.

*Completely designed and furnished 3- by 4-meter (minimum) exhibit booth.

*Normal utilities.

*Graphics, including identification signs.

*Uncrating, recrating and placement of exhibit items.

*Hospitality functions.

*Printing of official fair catalog.

*Limited administrative and shipping advice and assistance.

Please read Conditions of Participation dated September 1979.

EXHIBITOR'S OBLIGATION

*Provide exhibit items in time.

*Have an authorized representative at booth during show hours.

*Contribute $5,000 for each 3- by 4-meter booth.

*Supply documents, literature and information necessary for show promotion.

*Pay shipping costs to exhibition site and return.

(See Checklist and Conditions of Participation)

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